KAI !GARIB
MUNISIPALITEIT-MUNICIPALITY

KAI !GARIB LOCAL MUNICIPALITY

(Registration number NC082)

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

VISION STATEMENT:

Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development.

MISSION STATEMENT:

Provision of transparent, accountable and sustainable service delivery.

Index

The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

Index	**Page**
General Information	3
Members of the Municipal Council	4
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6 - 7
Certification of Remuneration of Councillors	8
Statement of Financial Position as at 30 June 2015	9
Statement of Financial Performance for the year ended 30 June 2015	10
Statement of Changes in Net Assets for the year ended 30 June 2015	11
Cash Flow Statement for the year ended 30 June 2015	12
Statement of Comparison of Budget and Actual Amounts as at 30 June 2015	13 - 14
Appropriation Statement for the year ended 30 June 2015	15 - 18
Accounting Policies	19 - 47
Notes to the Unaudited Annual Financial Statements	48 - 85
Appendixes:	
Appendix A: Schedule of External loans	86
Appendix D: Segmental Statement of Financial Performance	87
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	88
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	89
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	91
Appendix G(5): Budgeted Cash Flows	93

Index

Abbreviations

ASB	Accounting Standards Board
D.W.A.F.	Department of Water Affairs and Forestry
DBSA	Development Bank of South Africa
EPWPIG	Expanded Public Works Programme Incentive Grant
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sector Education Training Programme
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
NCL	Non current liability
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

Relevant Legislation

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)
Demarcation code	NC082
Grading of local authority	Low capacity municipality
Accounting Officer	Mr. J.G. Lategan (Acting)
Chief Finance Officer (CFO)	Mr. J. Krapohl
Registered office	164 11th Avenue Kakamas 8870
Postal address	Private Bag X 6 Kakamas 8870
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Brink & Genote Inc. Mjila & Partners Wessels & Smith Attornets Inc. Van der Westhuizen Le Roux Ing.
Preparer	The unaudited annual financial statements were internally compiled by Wim Scheepers, the Budget and Reporting Manager.
Telephone number	(054) 431 6300
Fax number	(054) 431 6301
Email address	admin@kaigarib.gov.za
Website	www.kaigarib.gov.za

Members of the Municipal Council

Mayor	Cllr. J.J.J. Olyn	
Speaker	Cllr. S. Jacob	
Ward councillors	Cllr. W.D. Klim	ANC
	Cllr. A.C. Snyers	ANC
	Cllr. B.M. Bock	ANC
	Cllr. A.M. Isaacs	ANC
	Cllr. A.V. du Plessis	ANC
	Cllr. W.N. Afrikaner	ANC
	Cllr. W.B. Kampfer	ANC
	Cllr. D.W. Fienies	ANC
	Cllr. E.E. Frits	ANC
Proportional members	Cllr. E. Mompe	COPE
	Cllr. M.M.J. Titus	COPE
	Cllr. A. van der Westhuizen	DA
	Cllr. A.M. van Wyk	DA
	Cllr. E. Meyer	DA
	Cllr. C. Markgraaf	DA

Council committees

Executive committee

Chairperson:	Cllr. J.J.J. Olyn
Members:	Cllr. D.W. Fienies
	Cllr. E. Meyer

Financial management committee

Chairperson:	Cllr. J.J.J. Olyn
Members:	Cllr. D.W. Fienies
	Cllr. E. Meyer

Socio-economic development committee

Chairperson:	Cllr. E.E. Fritz
Members:	Cllr. A.M. Isaacs
	Cllr. D. W. Fienies
	Cllr. M.M.J. Titus
	Cllr. A.M. van Wyk

Institutional development committee

Chairperson:	Cllr. A.V. Du Plessis
Members:	Cllr. B.M. Bock
	Cllr. W.N. Afrikaner
	Cllr. A. van der Westhuizen
	Cllr. M.M.J. Titus

Infrastructure development committee

Chairperson:	Cllr. D.W. Fienies
Members:	Cllr. A.C. Snyers
	Cllr. W.B. Kampfer
	Cllr. C. Markgraaf
	Cllr. E. Mompe

Municipal public account committee:

Chairperson:	Cllr. W.D. Klim
Members:	Cllr. A.C. Snyers
	Cllr. A.V. Du Plessis
	Cllr. E. Mompe
	Cllr. A.M. van Wyk

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Faks 054 461 6401
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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer and management are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The unaudited annual financial statements set out on pages 6 to 85, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by him:

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Municipality
31 August 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

Kai !Garib Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 48,894,041 (2014: deficit R 68,740,933).

2. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The account officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The unaudited annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. J.G. Lategan (Acting)	South Africa

Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at management meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Audit committee

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. H.C. Ogu, who is an independent audit committee member. Other independent members of the audit committee are, Mr. N. Erasmus and Me. A. Viljoen.

Internal audit

The municipality established an internal audit unit on 1 April 2014. Since the establishment of the internal audit unit ZF Mgcawu District Municipality assists the municipality with their internal audit functions as required by legislation.

8. Bankers

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

10. Jurisdiction

Kai !Garib Municipality have the following surrounding towns under its jurisdiction:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Bloemsmond
- Cillie
- Curriecamp
- Lennertsville
- Lutzburg
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei

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Certification of Remuneration of Councillors

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 38608 dated 25/03/2015. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27/03/2015 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Municipality
31 August 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	1,650,678	2,404,486
Consumer debtors	4	35,231,444	29,974,388
Inventories	5	925,235	1,022,887
Other financial assets	6	1,321,618	1,103,835
VAT receivable	7	2,296,895	5,678,933
Total Current Assets		**41,425,870**	**40,184,529**
Non-Current Assets			
Intangible assets	8	75,427	100,117
Investment property	9	1,300,000	1,200,000
Other financial assets	6	12,215,011	5,708,502
Property, plant and equipment	10	832,620,396	845,176,906
Total Non-Current Assets		**846,210,834**	**852,185,525**
Total Assets		**887,636,704**	**892,370,054**
Liabilities			
Current Liabilities			
Bank overdraft	3	526,905	40,147,304
Consumer deposits	11	1,628,821	1,592,148
Finance lease obligation	13	894,127	1,089,110
Other financial liabilities	14	3,351,319	1,585,490
Payables from exchange transactions	15	111,050,242	33,940,654
Provisions	16	2,442,747	5,598,356
Unspent conditional grants and receipts	17	6,168,946	4,829,684
Total Current Liabilities		**126,063,107**	**88,782,746**
Non-Current Liabilities			
Employee benefit obligation	12	16,860,229	14,152,738
Finance lease obligation	13	439,051	1,333,179
Other financial liabilities	14	6,241,983	6,403,647
Provisions	16	42,641,059	37,412,426
Total Non-Current Liabilities		**66,182,322**	**59,301,990**
Total Liabilities		**192,245,429**	**148,084,736**
Net Assets		**695,391,275**	**744,285,318**
Accumulated surplus		695,391,275	744,285,318

The accounting policies on pages 19 to 47 and the notes on pages 48 to 85 form an integral part of the unaudited annual financial statements.

* See Note 48

Statement of Financial Performance for the year ended 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Agency services	20	952,849	774,095
Interest received	21	9,574,817	8,169,221
Rental of facilities and equipment	22	204,078	156,568
Service charges	23	81,130,237	76,832,526
Other income	24	804,572	551,125
Total revenue from exchange transactions		**92,666,553**	**86,483,535**
Revenue from non-exchange transactions			
Property rates	25	13,588,100	14,317,649
Property rates - penalties imposed	25	141,861	3,296,798
Transfer revenue			
Government grants & subsidies	26	80,337,927	80,272,203
Fines	27	128,098	83,781
Public contributions and donations	28	-	500
Total revenue from non-exchange transactions		**94,195,986**	**97,970,931**
Total revenue	19	**186,862,539**	**184,454,466**
Expenditure			
Bulk purchases	29	49,425,145	40,466,130
Contracted services	30	10,571,018	10,504,651
Debt Impairment	31	3,578,343	(2,928,393)
Depreciation and amortisation	32	44,136,043	72,145,317
Employee related costs	33	86,143,285	78,421,728
Finance costs	34	2,913,413	2,319,927
General Expenses	35	21,854,280	28,824,509
Impairment loss	37	-	399,455
Remuneration of councillors	38	4,960,501	4,703,976
Repairs and maintenance	39	2,788,139	5,076,996
Transfers and subsidies	36	9,486,413	10,908,053
Total expenditure		**235,856,580**	**250,842,349**
Operating deficit	40	**(48,994,041)**	**(66,387,883)**
Fair value adjustments	41	100,000	66,000
Loss on disposal of assets and liabilities		-	(2,419,050)
		100,000	**(2,353,050)**
Deficit for the year		**(48,894,041)**	**(68,740,933)**

The accounting policies on pages 19 to 47 and the notes on pages 48 to 85 form an integral part of the unaudited annual financial statements.

* See Note 48

Statement of Changes in Net Assets for the year ended 30 June 2015

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	**813,026,251**	**813,026,251**
Changes in net assets		
Surplus for the year	(68,740,933)	(68,740,933)
Total changes	(68,740,933)	(68,740,933)
Restated* Balance at 01 July 2014	**744,285,316**	**744,285,316**
Changes in net assets		
Surplus for the year	(48,894,041)	(48,894,041)
Total changes	(48,894,041)	(48,894,041)
Balance at 30 June 2015	**695,391,275**	**695,391,275**

Notes
The accounting policies on pages 19 to 47 and the notes on pages 48 to 85 form an integral part of the unaudited annual financial statements.

* See Note 48

Cash Flow Statement for the year ended 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Property rates		8,790,725	16,385,028
Service charges		86,251,066	78,033,736
Government grants and receipts		81,743,883	78,264,630
Interest income		9,574,817	8,169,221
Public contributions and donations		-	500
Other income		-	2,084,687
		186,360,491	182,937,802
Payments			
Employee related costs		(72,137,499)	(74,623,684)
Suppliers		(14,903,188)	(100,546,109)
Finance costs		(2,742,308)	(2,035,774)
		(89,782,995)	(177,205,567)
Net cash flows from operating activities	42	**96,577,496**	**5,732,235**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(53,407,085)	(53,396,269)
Proceeds from sale of property, plant and equipment	10	2,076,523	(1,908,865)
Purchase of other intangible assets	8	-	(62,948)
Proceeds from sale of financial assets		(6,724,292)	433,634
Net cash flows from investing activities		**(58,054,854)**	**(54,934,448)**
Cash flows from financing activities			
Repayment of other financial liabilities		1,604,165	(1,657,476)
Finance lease payments		(1,260,216)	(1,442,089)
Net cash flows from financing activities		**343,949**	**(3,099,565)**
Net increase/(decrease) in cash and cash equivalents		**38,866,591**	**(52,301,778)**
Cash and cash equivalents at the beginning of the year		(37,742,818)	14,558,960
Cash and cash equivalents at the end of the year	3	**1,123,773**	**(37,742,818)**

The accounting policies on pages 19 to 47 and the notes on pages 48 to 85 form an integral part of the unaudited annual financial statements.

* See Note 48

Kai !Garib Local Municipality
(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts as at 30 June 2015

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	26,018,845	1,000,000	**27,018,845**	13,729,961	**(13,288,884)**	
Service charges	88,609,990	(14,182,990)	**74,427,000**	81,130,237	**6,703,237**	
Investment revenue	9,471,894	(616,555)	**8,855,339**	9,778,895	**923,556**	
Transfers recognised - operational	53,467,000	-	**53,467,000**	53,467,087	**87**	
Other own revenue	7,569,918	1,369,007	**8,938,925**	1,985,521	**(6,953,404)**	
Total Revenue (excluding capital transfers and contributions)	**185,137,647**	**(12,430,538)**	**172,707,109**	**160,091,701**	**(12,615,408)**	
Expenditure by type						
Employee costs	(74,030,136)	(420,311)	**(74,450,447)**	(86,143,281)	**(11,692,834)**	
Remuneration of councillors	(3,735,000)	(2,352,000)	**(6,087,000)**	(4,960,501)	**1,126,499**	
Debt impairment	(20,580,000)	-	**(20,580,000)**	(3,578,343)	**17,001,657**	
Depreciation & asset impairment	(7,255,107)	3,183,747	**(4,071,360)**	(44,136,043)	**(40,064,683)**	
Finance charges	(1,011,000)	(809,000)	**(1,820,000)**	(2,913,413)	**(1,093,413)**	
Materials and bulk purchases	(49,736,200)	(3,111,800)	**(52,848,000)**	(59,996,163)	**(7,148,163)**	
Transfers and grants	(5,239,749)	(7,852,451)	**(13,092,200)**	(9,486,414)	**3,605,786**	
Other expenditure	(26,445,200)	3,575,103	**(22,870,097)**	(24,642,417)	**(1,772,320)**	
Total expenditure	**(188,032,392)**	**(7,786,712)**	**(195,819,104)**	**(235,856,575)**	**(40,037,471)**	
Surplus	**(2,894,745)**	**(20,217,250)**	**(23,111,995)**	**(75,764,874)**	**(52,652,879)**	
Transfers recognised - capital	22,112,000	1,000,000	**23,112,000**	26,099,271	**2,987,271**	
Contributions recognised - capital & contributed assets	1,050	(1,050)	**-**	-	**-**	
Surplus after capital transfers & contributions	**19,218,305**	**(19,218,300)**	**5**	**(49,665,603)**	**(49,665,608)**	
Surplus for the year	**19,218,305**	**(19,218,300)**	**5**	**(49,665,603)**	**(49,665,608)**	

Statement of Comparison of Budget and Actual Amounts as at 30 June 2015

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	3,334,600	-	**3,334,600**	1,650,678	**(1,683,922)**	
Call investment deposits	66,978	-	**66,978**	66,978	**-**	
Consumer debtors	18,209,300	-	**18,209,300**	35,231,444	**17,022,144**	
Other debtors	-	-	**-**	498,771	**498,771**	
Current portion of long-term receivables	1,010,000	-	**1,010,000**	1,254,640	**244,640**	
Inventory	1,128,000	250,000	**1,378,000**	925,235	**(452,765)**	
	23,748,878	**250,000**	**23,998,878**	**39,627,746**	**15,628,868**	
Non-Current Assets						
Long-term receivables	5,421,000	-	**5,421,000**	12,215,011	**6,794,011**	
Investments	704,319	-	**704,319**	1,142,745	**438,426**	
Investment property	1,200,000	-	**1,200,000**	1,300,000	**100,000**	
Property, plant and equipment	781,921,688	(26,592,569)	**755,329,119**	825,079,472	**69,750,353**	
Intangible	53,960	-	**53,960**	75,427	**21,467**	
	789,300,967	**(26,592,569)**	**762,708,398**	**839,812,655**	**77,104,257**	
Total Assets	**813,049,845**	**(26,342,569)**	**786,707,276**	**879,440,401**	**92,733,125**	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	**-**	526,905	**526,905**	
Borrowing	2,398,802	-	**2,398,802**	4,245,446	**1,846,644**	
Consumer deposits	1,600,000	-	**1,600,000**	1,628,821	**28,821**	
Trade and other payables	28,284,358	-	**28,284,358**	108,970,139	**80,685,781**	
Provisions	6,018,233	-	**6,018,233**	2,442,747	**(3,575,486)**	
	38,301,393	**-**	**38,301,393**	**117,814,058**	**79,512,665**	
Non-Current Liabilities						
Borrowing	7,187,119	-	**7,187,119**	6,681,035	**(506,084)**	
Provisions	56,088,257	-	**56,088,257**	60,644,033	**4,555,776**	
	63,275,376	**-**	**63,275,376**	**67,325,068**	**4,049,692**	
Total Liabilities	**101,576,769**	**-**	**101,576,769**	**185,139,126**	**83,562,357**	
Net Assets	**711,473,076**	**(26,342,569)**	**685,130,507**	**694,301,275**	**9,170,768**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	711,473,076	(26,342,569)	**685,130,507**	694,301,275	**9,170,768**	
Total community wealth/equity	**711,473,076**	**(26,342,569)**	**685,130,507**	**694,301,275**	**9,170,768**	

The accounting policies on pages 19 to 47 and the notes on pages 48 to 85 form an integral part of the unaudited annual financial statements.

Appropriation Statement for the year ended 30 June 2015

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	26,018,845	1,000,000	27,018,845	-		27,018,845	13,729,961		(13,288,884)	51 %	53 %
Service charges	88,609,990	(14,182,990)	74,427,000	-		74,427,000	81,130,237		6,703,237	109 %	92 %
Investment revenue	8,515,750	154,253	8,670,003	-		8,670,003	9,574,817		904,814	110 %	112 %
Transfers recognised - operational	54,401,000	-	54,401,000	-		54,401,000	55,351,115		950,115	102 %	102 %
Other own revenue	8,526,062	598,198	9,124,260	-		9,124,260	2,189,597		(6,934,663)	24 %	26 %
Total revenue (excluding capital transfers and contributions)	**186,071,647**	**(12,430,539)**	**173,641,108**	**-**		**173,641,108**	**161,975,727**		**(11,665,381)**	**93 %**	**87 %**
Employee costs	(74,030,134)	(420,316)	(74,450,450)	-	-	(74,450,450)	(86,143,285)	(11,945,183)	(11,692,835)	116 %	116 %
Remuneration of councillors	(3,735,000)	(2,352,000)	(6,087,000)	-	-	(6,087,000)	(4,960,501)	-	1,126,499	81 %	133 %
Debt impairment	(20,580,000)	-	(20,580,000)			(20,580,000)	(3,578,343)	-	17,001,657	17 %	17 %
Depreciation and asset impairment	(7,255,107)	3,183,747	(4,071,360)			(4,071,360)	(44,136,043)	(30,175,315)	(40,064,683)	1,084 %	608 %
Finance charges	(1,011,000)	(809,000)	(1,820,000)	-	-	(1,820,000)	(2,913,413)	(1,093,413)	(1,093,413)	160 %	288 %
Materials and bulk purchases	(44,300,000)	300,000	(44,000,000)	-	-	(44,000,000)	(49,425,145)	(5,413,097)	(5,425,145)	112 %	112 %
Transfers and grants	(5,239,749)	(7,852,451)	(13,092,200)	-	-	(13,092,200)	(9,486,413)	(173,091)	3,605,787	72 %	181 %
Other expenditure	(31,881,400)	163,304	(31,718,096)	-	-	(31,718,096)	(35,213,437)	(2,091,352)	(3,495,341)	111 %	110 %
Total expenditure	**(188,032,390)**	**(7,786,716)**	**(195,819,106)**	**-**	**-**	**(195,819,106)**	**(235,856,580)**	**(50,891,451)**	**(40,037,474)**	**120 %**	**125 %**
Surplus/(Deficit)	**(1,960,743)**	**(20,217,255)**	**(22,177,998)**	**-**		**(22,177,998)**	**(73,880,853)**		**(51,702,855)**	**333 %**	**3,768 %**

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	21,178,000	1,000,000	22,178,000	-		22,178,000	24,986,812		2,808,812	113 %	118 %
Contributions recognised - capital and contributed assets	525	(525)	-	-		-	-		-	DIV/0 %	- %
Surplus (Deficit) after capital transfers and contributions	**19,217,782**	**(19,217,780)**	**2**	**-**		**2**	**(48,894,041)**		**(48,894,043)**	**702,050)%**	**(254)%**
Surplus/(Deficit) for the year	**19,217,782**	**(19,217,780)**	**2**	**-**		**2**	**(48,894,041)**		**(48,894,043)**	**702,050)%**	**(254)%**

Appropriation Statement for the year ended 30 June 2015

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				17,614,447
Service charges				76,832,526
Investment revenue				8,169,221
Transfers recognised - operational				52,456,027
Other own revenue				1,631,569
Total revenue (excluding capital transfers and contributions)				**156,703,790**
Employee costs	-	-	-	(78,421,728)
Remuneration of councillors	-	-	-	(4,703,976)
Debt impairment	-	-	-	2,928,393
Depreciation and asset impairment	-	-	-	(72,544,772)
Finance charges	-	-	-	(2,319,927)
Materials and bulk purchases	-	-	-	(40,466,130)
Transfers and grants	-	-	-	(10,908,053)
Other expenditure	-	-	-	(46,825,206)
Total expenditure	**-**	**-**	**-**	**(253,261,399)**
Surplus/(Deficit)				**(96,557,609)**
Transfers recognised - capital				27,816,176
Contributions recognised - capital and contributed assets				500
Surplus (Deficit) after capital transfers and contributions				**(68,740,933)**
Surplus/(Deficit) for the year				**(68,740,933)**
Capital expenditure and funds sources				
Total capital expenditure				104,155,895

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				5,732,235
Net cash from (used) investing				(54,934,448)
Net cash from (used) financing				(3,099,565)
Net increase/(decrease) in cash and cash equivalents				**(52,301,778)**
Cash and cash equivalents at the beginning of the year				14,558,960
Cash and cash equivalents at year end				**(37,742,818)**

The accounting policies on pages 19 to 47 and the notes on pages 48 to 85 form an integral part of the unaudited annual financial statements.

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

For the years ended 30 June 2015 and 30 June 2014 the municipality has adopted the accounting framework as set out above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
- is required by a Standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flow.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts disclosed in the audited annual financial statements are rounded-off to the nearest Rand.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

The municipality reassesses the useful lives and residual values of property, plant and equipment, investment property and intangible assets on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment, investment property and intangible assets management considers the condition and use of the individual assets, and base it on industry knowledge, to determine the remaining period over which the asset can and will be used and the residual value.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Accounting Policies

1.4 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

Accounting Policies

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

1.5 Property, plant and equipment (continued)

The municipality has capitalised the provision for landfill rehabiliation as per GRAP 17 (Property, plant and equipment). In accordance with GRAP 17, this asset is depreciated over the estimated useful life of the landfill, as determined in the valuation of the landfill rehabiliation provision.

Depreciation only commences when the asset is ready for its intended use.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	10-50 years
Plant and machinery	2-80 years
Furniture and fixtures	3-15 years
Motor vehicles	3-15 years
Computer equipment	2-5 years
Infrastructure	5-60 years

The residual value, the useful life and depreciation method of each asset are reviewed the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.7 Intangible assets (continued)

Capitalised development costs are recorded as intangible assets and recognised from the point at at which the asset is ready for use on a straight line basis over its useful life, which is between 3 and 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitude's obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. However, such intangible assets are subject to an annual impairment test.

Development assets are tested for impairment annually in accordance with GRAP 102. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another municipality; or

Accounting Policies

1.8 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.8 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities (DBSA)	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the statement of financial performance.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Accounting Policies

1.9 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

- Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

- Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Consumer deposits

Consumer deposits are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.13 Value added tax (VAT)

The municipality accounts for value added tax on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services except where the suppliers are specifically zero rated in terms of section 11, exempt in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for VAT on a monthly basis.

Accounting Policies

1.14 Unspent conditional grants

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Government grants and receipts are recognised as revenue when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance.

1.15 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.16 Employee benefits (continued)

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 Employee benefits (continued)

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all medical aid funds, with which the municipality is associated, provide forcontinued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations i1n the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Provincially-administered defined benefit plans

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.16 Employee benefits (continued)

Other post retirement obligations

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

1.17 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which an municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.18 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest and Investment income

Revenue arising from the use by others of entity assets yielding interest, royalties or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unspent conditional grants is allocated directly to the creditor: unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

1.19 Revenue from exchange transactions (continued)

Service charges

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement:
- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.21 Revenue

Revenue comprises of sales to customers and service rendered to customers. Revenue is stated at the invoice amount and is exclusive of value added taxation.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.25 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.26 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA states the following “Irregular expenditure in relation to a municipality or municipal entity ,means:
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of this Act and which has not been condoned in terms of section 170
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of the Municipal Systems Act and which has not been condoned in terms of this Act
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of the Public Office-Bearers Act 1998 (Act No 20 of 1998) or
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with ,a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by –laws giving effect to such policy and which has not been condoned in terms of such policy or by-law

But excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

1.28 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.30 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.31 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

1.31 Budget information (continued)

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.32 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.34 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.35 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

2. New standards and interpretations

The aggregate impact of the initial application of the statements and interpretations on the municipality's unaudited annual financial statements is expected to be as follows:

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	890,178	664,261
Cash on hand	104	-
Short-term deposits	760,396	1,740,225
Bank overdraft	(526,905)	(40,147,304)
	1,123,773	**(37,742,818)**

Current assets	1,650,678	2,404,486
Current liabilities	(526,905)	(40,147,304)
	1,123,773	**(37,742,818)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Current Accounts						
ABSA Bank Limited: 4051 445 435	55,763	(95,054)	671,295	(526,905)	(40,147,304)	13,840,897
Standard Bank Limited: 0417 902 19	711,194	488,116	210,189	890,178	664,261	(297,853)
Short-term Investments						
ABSA Bank Limited: 9117 271 903	103,390	1,089,683	7,567	103,390	1,089,683	7,567
First National Bank: 6200 698 309 4	2,427	2,513	2,573	2,427	2,513	2,573
First National Bank: 6209 133 690 1	191,669	183,952	177,811	191,669	183,952	177,811
First National Bank: 6209 576 378 8	30,553	29,510	28,774	30,553	29,510	28,774
Standard Bank Limited: 0486 432 700 02	52,314	50,903	410,570	52,314	50,903	410,570
Standard Bank Limited: 0489 042 950 04	58,221	56,650	55,324	58,221	56,650	55,324
Stanlib: I533 550 21	321,821	327,013	333,298	321,821	327,014	333,298
Total	**1,527,352**	**2,133,286**	**1,897,401**	**1,123,668**	**(37,742,818)**	**14,558,961**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer debtors

	2015	2014
Gross balances		
Rates	29,414,340	24,475,104
Electricity	27,391,775	24,293,349
Water	32,635,052	28,249,440
Sewerage	13,376,663	11,137,091
Refuse	12,420,713	10,166,099
Long-term debtors	3,455,081	3,268,483
Other	9,924,295	9,452,371
	128,617,919	**111,041,937**
Less: Allowance for impairment		
Rates	(19,276,147)	(18,083,925)
Electricity	(15,577,261)	(13,326,870)
Water	(26,172,688)	(21,676,670)
Sewerage	(10,143,081)	(8,154,194)
Refuse	(10,051,016)	(8,098,914)
Long-term debtors	(2,863,255)	(2,879,868)
Other	(9,303,027)	(8,847,108)
	(93,386,475)	**(81,067,549)**
Net balance		
Rates	10,138,193	6,391,179
Electricity	11,814,514	10,966,479
Water	6,462,364	6,572,770
Sewerage	3,233,582	2,982,897
Refuse	2,369,697	2,067,185
Long-term debtors	591,826	388,615
Other	621,268	605,263
	35,231,444	**29,974,388**
Included in above is receivables from exchange transactions		
Electricity	11,814,514	10,966,479
Water	6,462,364	6,572,770
Sewerage	3,233,582	2,982,897
Refuse	2,369,697	2,067,185
Long-term debtors	591,826	388,615
Other	621,268	605,263
	25,093,251	**23,583,209**
Included in above is receivables from non-exchange transactions		
Rates	**10,138,193**	**6,391,179**
	10,138,193	**6,391,179**
Consumer debtors net balance	**35,231,444**	**29,974,388**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer debtors (continued)

Rates		
Current (0 -30 days)	3,408,559	490,612
31 - 60 days	265,057	386,161
61 - 90 days	281,740	371,864
91 - 120 days	300,822	364,678
121 + days	25,158,162	22,861,789
Less: Allowance for impairment	(19,276,147)	(18,083,925)
	10,138,193	**6,391,179**

Electricity		
Current (0 -30 days)	3,167,806	3,300,869
31 - 60 days	1,028,519	918,700
61 - 90 days	954,166	653,024
91 - 120 days	966,218	560,348
121 + days	21,275,067	18,860,408
Less: Allowance for impairment	(15,577,262)	(13,326,870)
	11,814,514	**10,966,479**

Water		
Current (0 -30 days)	1,214,487	1,639,795
31 - 60 days	833,533	781,435
61 - 90 days	730,079	717,078
91 - 120 days	717,777	650,413
121 + days	29,139,177	24,460,720
Less: Allowance for impairment	(26,172,689)	(21,676,671)
	6,462,364	**6,572,770**

Sewerage		
Current (0 -30 days)	690,561	591,630
31 - 60 days	402,182	393,814
61 - 90 days	357,347	335,399
91 - 120 days	330,606	310,767
121 + days	11,595,966	9,505,481
Less: Allowance for impairment	(10,143,080)	(8,154,194)
	3,233,582	**2,982,897**

Refuse		
Current (0 -30 days)	466,864	423,965
31 - 60 days	322,626	290,280
61 - 90 days	293,416	246,869
91 - 120 days	273,405	238,538
121 + days	11,064,403	8,966,448
Less: Allowance for impairment	(10,051,017)	(8,098,915)
	2,369,697	**2,067,185**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer debtors (continued)

Long-term debtors		
Current (0 -30 days)	196,910	101,935
31 - 60 days	139,928	77,139
61 - 90 days	107,988	64,743
91 - 120 days	66,435	62,955
121 + days	2,943,820	2,961,711
Less: Allowance for impairment	(2,863,255)	(2,879,868)
	591,826	**388,615**

Other		
Current (0 -30 days)	80,224	80,558
31 - 60 days	66,899	68,140
61 - 90 days	64,809	66,491
91 - 120 days	63,016	63,957
121 + days	9,649,347	9,173,225
Less: Allowance for impairment	(9,303,027)	(8,847,108)
	621,268	**605,263**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer debtors (continued)

Summary of debtors by customer classification

	2015	2014
Consumers		
Current (0 -30 days)	6,971,326	6,018,993
31 - 60 days	2,603,534	2,570,739
61 - 90 days	2,319,055	2,191,632
91 - 120 days	2,252,574	1,994,030
121 + days	96,762,276	85,324,791
	110,908,765	98,100,185
Less: Allowance for impairment	(90,268,102)	(79,313,692)
	20,640,663	**18,786,493**
Industrial/ commercial		
Current (0 -30 days)	1,228,040	314,538
31 - 60 days	225,942	67,985
61 - 90 days	240,048	65,130
91 - 120 days	247,100	55,456
121 + days	3,733,989	2,121,624
	5,675,119	2,624,733
Less: Allowance for impairment	(257,983)	(141,037)
	5,417,136	**2,483,696**
National and provincial government		
Current (0 -30 days)	909,082	265,816
31 - 60 days	202,635	254,005
61 - 90 days	210,893	176,199
91 - 120 days	195,200	179,618
121 + days	7,754,378	7,939,343
	9,272,188	8,814,981
Less: Allowance for impairment	(120,565)	(124,130)
	9,151,623	**8,690,851**
Other		
Current (0 -30 days)	116,961	30,018
31 - 60 days	26,632	22,940
61 - 90 days	19,547	22,506
91 - 120 days	23,406	22,552
121 + days	2,575,298	1,404,024
	2,761,844	1,502,040
Less: Allowance for impairment	(2,739,826)	(1,489,021)
	22,018	**13,019**
Total		
Current (0 -30 days)	9,225,411	6,629,364
31 - 60 days	3,058,743	2,915,669
61 - 90 days	2,789,544	2,455,467
91 - 120 days	2,718,279	2,251,656
121 + days	110,825,941	96,789,782
	128,617,918	111,041,938
Less: Allowance for impairment	(93,386,474)	(81,067,550)
	35,231,444	**29,974,388**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer debtors (continued)

Total debtor past due but not impaired		
Current (0 -30 days)	9,086,373	6,583,704
31 - 60 days	3,001,933	2,860,338
61 - 90 days	2,710,768	2,376,363
91 - 120 days	2,616,506	2,162,993
121 + days	110,683,642	96,655,182
> 365 days	(92,867,779)	(80,664,191)
	35,231,443	**29,974,389**

Less: Allowance for impairment		
Current (0 -30 days)	(139,038)	(45,660)
31 - 60 days	(56,810)	(55,331)
61 - 90 days	(78,776)	(79,104)
91 - 120 days	(101,773)	(88,663)
121 + days	(142,299)	(134,600)
> 365 days	(92,867,779)	(80,664,191)
	(93,386,475)	**(81,067,549)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(81,067,549)	(83,541,761)
Contributions to allowance	(14,780,600)	(6,077,471)
Reversal of allowance	2,461,674	8,551,683
	(93,386,475)	**(81,067,549)**

Fair value of consumer debtors

Consumer debtors	35,231,444	29,974,388

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	35,231,444	29,974,388

5. Inventories

Consumable stores	856,589	998,841
Water	68,646	24,046
	925,235	**1,022,887**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

6. Other financial assets

Designated at fair value

Old Mutual - 1166 5522	66,978	66,978

The policy (Registered in Eksteenskuil Bestuursraad) has reached the end of its term on 1 August 2003 and has been inactive since then. The maturity proceeds are not exposed to the market, thus the maturity value as at 1 August 2003 is still the same as at 30 June 2015.

At amortised cost

Long-term bad debt: Services	13,469,651	6,745,359

The consumers made arrangements with the municipality to pay off their long overdue rates and services accounts. The outstanding accounts will be settled interest free in equal installments over a period of 12 to 24 months.

Total other financial assets	**13,536,629**	**6,812,337**
Non-current assets		
At amortised cost	12,215,011	5,708,502
Current assets		
Designated at fair value	66,978	66,978
At amortised cost	1,254,640	1,036,857
	1,321,618	**1,103,835**

7. VAT receivable

South African Revenue Service	2,296,895	5,678,933

The municipality's VAT201 returns is submitted on a monthly basis to SARS. VAT is receivable/payable is calculated on the payments basis.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

8. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	163,108	(87,681)	75,427	163,108	(62,991)	100,117

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	100,117	(24,690)	75,427

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	59,564	62,948	(22,395)	100,117

9. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,300,000	-	1,300,000	1,200,000	-	1,200,000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	1,200,000	100,000	1,300,000

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	1,134,000	66,000	1,200,000

Details of property

	2015	2014
Erf 1654, Kakamas		
Title deed number T74252/198		
- Purchase price: 20 July 1987	19,830	19,830
- Fair value adjustment	400,170	380,170
	420,000	**400,000**

	2015	2014
Erf 666, Keimoes		
Title deed number G16/1942		
- Fair value adjustment	220,000	200,000

	2015	2014
Erf 667, Keimoes		
Title deed number G16/1942		
- Fair value adjustment	660,000	600,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was August 2015 as per valuation report. The valuation of investment property were done to reflect the fair value of investment properties as at 30 June 2015. Revaluations were performed by an independent valuer, Mr D van Vuuren as a Professional Assosiated Valuer, of DDP Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

There are no restrictions on the realisibility of investment property or the remittance of revenue and proceeds of disposal.

Figures in Rand

10. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	79,086,600	-	79,086,600	79,086,600	-	79,086,600
Buildings	65,965,443	(11,182,920)	54,782,523	66,028,441	(9,411,004)	56,617,437
Infrastructure	709,995,207	(163,001,496)	546,993,711	699,421,220	(135,626,336)	563,794,884
Community	19,177,862	(6,447,136)	12,730,726	19,567,099	(5,533,011)	14,034,088
Other property, plant and equipment	24,933,371	-	24,933,371	42,539,315	-	42,539,315
Landfill Site	42,796,591	(21,095,811)	21,700,780	41,917,741	(8,051,643)	33,866,098
Work in Progress	92,392,685	-	92,392,685	55,238,484	-	55,238,484
Total	**1,034,347,759**	**(201,727,363)**	**832,620,396**	**1,003,798,900**	**(158,621,994)**	**845,176,906**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	79,086,600	-	-	-	79,086,600
Buildings	56,617,437	-	(37,425)	(1,797,489)	54,782,523
Infrastructure	563,794,884	13,204,259	(1,790,964)	(28,214,468)	546,993,711
Community	14,034,088	-	(248,134)	(1,055,228)	12,730,726
Other property, plant and equipment	42,539,315	2,169,775	-	(19,775,719)	24,933,371
Landfill sites	33,866,098	878,850	-	(13,044,168)	21,700,780
Other property, plant and equipment # 4	55,238,484	37,154,201	-	-	92,392,685
	845,176,906	**53,407,085**	**(2,076,523)**	**(63,887,072)**	**832,620,396**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	76,018,600	3,068,000	-	-	-	79,086,600
Buildings	58,818,188	-	-	(1,802,562)	(398,189)	56,617,437
Infrastructure	574,730,759	19,046,979	(508,331)	(27,765,434)	(1,709,089)	563,794,884
Community	15,235,158	-	(1,854)	(1,083,449)	(115,767)	14,034,088
Other property, plant and equipment	42,903,666	2,370,146	-	(2,734,497)	-	42,539,315
Landfill sites	32,292,662	9,027,368	-	(7,453,932)	-	33,866,098
Other property, plant and equipment # 4	35,354,708	19,883,776	-	-	-	55,238,484
	835,353,741	**53,396,269**	**(510,185)**	**(40,839,874)**	**(2,223,045)**	**845,176,906**

Pledged as security

The municipality did not pledge any of its assets as security.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment. A register containing the information as required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Consumer deposits

Consumer deposits held by the municipality	1,628,821	1,592,148

12. Employee benefit obligations

Defined benefit plan

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement “defined benefit” plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statements.

Post retirement benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2015	2014

12. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

		2015	2014
Opening balance		14,152,738	11,638,471
Net expense recognised in the statement of financial performance		2,707,491	2,514,267
		16,860,229	**14,152,738**

Net expense recognised in the statement of financial performance

		2015	2014
Current service costs: Post employment benefits		710,109	397,202
Contributions (benefits paid)		(484,380)	(658,365)
Interest cost: Post employment benefits		1,239,595	987,743
Actuarial losses: Post employment benefits		1,242,167	1,787,687
Included in employee related costs	33	**2,707,491**	**2,514,267**

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used	8.88 %	8.91 %
Health care cost inflation rate	8.02 %	8.13 %
Net effective discount rate	0.80 %	0.72 %

Key demographic assumptions used at the report date:

	2015	2014
Average retirement age:	63 years	63 years
Benefit accrual age:	55 years	55 years
Continuation of membership at retirement:	90.00%	90.00%
Proportion assumed married at retirement:	95.00%	95.00%
Proportion of eligible current non-member employees joining the scheme by retirement:		
Mortality during employment:	SA 85-90	SA 85-90
Mortality post-retirement:	PA90-1 ultimate	PA90-1 ultimate

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.88% per annum has been used. The corresponding index-linked yield at this term is 1.75%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield). The three components are as follows.

Health Care Cost Inflation Rate:

12. Employee benefit obligations (continued)

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.02% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.52%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.80% which derives from ((1+8.88%)/(1+8.02%))-1.

The expected inflation assumption of 6.52% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.75%) and those of fixed interest bonds (8.88%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+8.88%-0.50%)/(1+1.75%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2016.

Replacement ratio:

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

13. Finance lease obligation

Minimum lease payments due		
- within one year	972,378	1,260,161
- in second to fifth year inclusive	450,000	1,422,379
	1,422,378	2,682,540
less: future finance charges	(89,200)	(248,322)
less: future insurance charges	-	(11,929)
Present value of minimum lease payments	**1,333,178**	**2,422,289**

Present value of minimum lease payments due		
- within one year	894,127	1,089,110
- in second to fifth year inclusive	439,051	1,333,179
	1,333,178	**2,422,289**

Non-current liabilities	439,051	1,333,179
Current liabilities	894,127	1,089,110
	1,333,178	**2,422,289**

The average lease term was 5 years and the average effective borrowing rate was 11% (2014: 11%).

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	1,333,178	2,422,289

The fair value of finance lease liabilities approximates their carrying amounts.

Finance lease descriptions

ABSA VF 0787 994 26 - Kubota L39 4x4 Backhoe Loader	-	21,720
ABSA VF 0788 115 07 - Toyota Hi-Lux 2.0 Vvti P/U S/U	-	8,829
ABSA VF 0788 126 19 - Toyota Hi-Lux 2.0 Vvti P/U S/U	-	8,829
ABSA VF 0788 119 14 - Toyota Hi-Lux 2.0 Vvti P/U S/U	-	8,829
ABSA VF 0788 748 51 - Nissan Ud 70A F/C C/C	-	44,935
ABSA VF 0789 155 58 - Nissan Ud 85A Tip C/C	-	59,842
ABSA VF 0789 156 20 - Nissan Ud 85A Tip C/C	-	59,842
ABSA VF 0791 179 57 - Ford Ranger 2.2L Lwb P/U S/U	-	19,996
Nashua	1,263,291	2,020,607
Vodacom	47,144	117,849
MTN	22,744	51,010
	1,333,179	**2,422,288**

Figures in Rand	2015	2014

14. Other financial liabilities

At amortised cost

Development Bank of Southern Africa Ltd	1,806,089	1,403,283

Loan number: 100498/1
Product number: 61000080

The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.

Redemption date: 30/06/2023.

Development Bank of Southern Africa Ltd	6,120,273	5,277,389

Loan number: 103723/2
Product number: 61001016

The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.

Redemption date: 28/02/2019.

Development Bank of Southern Africa Ltd	571,184	436,438

Loan Number: 103723/3
Product number: 61001017

The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.

Redemption date: 31/08/2015

Development Bank of Southern Africa Ltd	389,527	321,139

Loan number: 13315/202
Product number: 61003127

The loan is secured and is being repaid over a period of 20 years in equal installments of R48,427.69 every 6 months with a fixed interest rate of 16.500% per annum.

Redemption date: 31/03/2019.

Development Bank of Southern Africa Ltd	706,229	550,888

Loan number: 13702/101
Product number: 61003256

The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of 9.800% per annum.

Redemption date: 30/06/2021.

Total other financial liabilities	**9,593,302**	**7,989,137**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

14. Other financial liabilities (continued)

Total other financial liabilities	**9,593,302**	**7,989,137**
Minimum loan payments due		
- within one year	4,710,071	2,199,767
- in second to fifth year inclusive	5,616,707	7,046,688
- later than five years	520,747	957,874
	10,847,525	10,204,329
less: future finance charges	(1,254,223)	(2,215,192)
Present value of minimum loan payments	**9,593,302**	**7,989,137**
Present value of minimum loan payments due		
- within one year	3,351,319	1,585,490
- in second to fifth year inclusive	4,587,792	5,764,724
- later than five years	450,384	638,923
	8,389,495	**7,989,137**
Non-current liabilities		
At amortised cost	6,241,983	6,403,647
Current liabilities		
At amortised cost	3,351,319	1,585,490

Defaults and breaches

The loans from the Development Bank of Southern Africa Ltd with the carrying amount of R 9,593,302(2014: R 7,989,137) is in default as a result of not meeting capital repayment requirements as per the contractual arrangements. This was due to cash flow timing delays. The default was not rectified before the unaudited annual financial statements were authorised and issued.

15. Payables from exchange transactions

Accrual for employee bonusses	2,538,568	3,107,241
Accrual for employee leave pay	4,909,283	3,689,999
Department of Transport, Safety and Liaison	7,506,734	90,127
Deposits received	194,629	166,939
Consumer debtors with credit balances	11,056,182	5,146,816
Salary creditors	9,687,997	-
Trade payables	62,907,485	2,382,049
Trade payables accruals	-	4,997,254
Unallocated deposits and receipts	12,249,364	14,360,229
	111,050,242	**33,940,654**

The carrying amount of trade and other payables are denominated in the following currencies:

Rand	111,050,242	33,940,654

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

16. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	41,917,741	1,727,150	43,644,891
Long service awards	1,093,041	345,874	1,438,915
	43,010,782	**2,073,024**	**45,083,806**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	32,292,662	9,625,079	41,917,741
Long service awards	752,932	340,109	1,093,041
	33,045,594	**9,965,188**	**43,010,782**

	2015	2014
Non-current liabilities	42,641,059	37,412,426
Current liabilities	2,442,747	5,598,356
	45,083,806	**43,010,782**

Environmental rehabilitation provision

Adjustment of unit costs:

The baseline for the unit costs used in the GLCCM was set in 2011. Unit costs are adjusted annually on 1 April. For the various cost elements relating to pre-closure planning as well as post-closure monitoring and maintenance, the Consumer Price Index1 (CPI) was used to adjust the unit cost for each cost element. The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering (Earthworks) Index 2. In certain cases, a specific amendment to unit costs (different from the above two indices) is made based on newer information, new technology being used or changes in closure requirements. In 2015, such changes were made to the unit costs of:

- License for closure application
- Basic assessment
- End-use plan
- Geosynthetics alternative
- Gas drainage layer
- Additional capping for impact
- Water monitoring

CPI:

The CPI was used for the annual adjustment of unit costs as well as for determining the future value of current costs in the year when the cost is projected to be incurred. The average of the CPI for January to March 2015 amounted to 4.1306%.

Discount rate:

16. Provisions (continued)

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used3. The rate most consistent with the remaining life of the landfill published in May 2015 was used. For Marchand and Lennertsville 1.25% rate above CPI all landfills was used and for Kakamas, Keimoes, Kenhardt and Currieskamp the rate associated with the maximum period of 10 years was used, i.e. 2.25% above CPI.

Long service awards provision

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, unitl 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015	2014
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	5,759,430	4,829,684
Keimoes Camping and Caravan Park	409,516	-
	6,168,946	**4,829,684**

Movement during the year

	2015	2014
Balance at the beginning of the year	4,829,684	6,921,538
Additions during the year	21,678,000	17,370,000
Income recognition during the year	(20,338,738)	(19,461,854)
	6,168,946	**4,829,684**

	2015	2014
Non-current liabilities	-	-
Current liabilities	6,168,946	4,829,684
	6,168,946	**4,829,684**

18. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Cash and cash equivalents	1,650,678	1,650,678
Consumer debtors	35,231,444	35,231,444
Other financial assets	1,321,618	1,321,618
	38,203,740	**38,203,740**

Financial liabilities

	At amortised cost	Total
Bank overdraft	526,905	526,905
Consumer deposits	1,628,821	1,628,821
Finance lease obligation	894,127	894,127
Other financial liabilities	3,351,319	3,351,319
Payables from exchange transactions	111,050,242	111,050,242
	117,451,414	**117,451,414**

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	2,404,486	2,404,486
Consumer debtors	29,974,388	29,974,388
Other financial assets	1,103,835	1,103,835
	33,482,709	**33,482,709**

Financial liabilities

	At amortised cost	Total
Bank overdraft	40,147,304	40,147,304
Consumer deposits	1,592,148	1,592,148
Finance lease obligation	1,089,110	1,089,110
Other financial liabilities	1,585,490	1,585,490
Payables from exchange transactions	33,940,654	33,940,654
	78,354,706	**78,354,706**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

19. Revenue

Agency services	952,849	774,095
Fines	128,098	83,781
Government grants & subsidies	80,337,927	80,272,203
Interest received - investment	9,574,817	8,169,221
Property rates	13,588,100	14,317,649
Property rates - penalties imposed	141,861	3,296,798
Public contributions and donations	-	500
Rental of facilities and equipment	204,078	156,568
Service charges	81,130,237	76,832,526
Other income	804,572	551,125
	186,862,539	**184,454,466**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Agency services	952,849	774,095
Interest received	9,574,817	8,169,221
Rental of facilities and equipment	204,078	156,568
Service charges	81,130,237	76,832,526
Other income	804,572	551,125
	92,666,553	**86,483,535**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13,588,100	14,317,649
Property rates - penalties imposed	141,861	3,296,798
Transfer revenue		
Fines	128,098	83,781
Government grants & subsidies	80,337,927	80,272,203
Public contributions and donations	-	500
	94,195,986	**97,970,931**

20. Agency services

Driver licenses applications and renewals	952,849	774,095

21. Interest received

Interest revenue		
Interest charged on trade and other receivables	9,444,527	7,907,071
Other financial assets	130,290	262,150
	9,574,817	**8,169,221**

The amount included in Investment revenue arising from exchange transactions amounted to R 9,444,527 (2014: R 9,444,527).

The amount included in Investment revenue arising from non-exchange transactions amounted to R 130,290 (2014: R 262,150).

22. Rental of facilities and equipment

Facilities owned by the Municipality		
Premises	204,078	156,568

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

23. Service charges

Refuse removal	5,229,565	4,702,348
Sale of electricity	55,750,395	53,325,420
Sale of water	12,606,696	11,897,839
Sewerage and sanitation charges	7,543,581	6,906,919
	81,130,237	**76,832,526**

24. Other income

Administration income	109,368	10,679
Books	-	2,386
Buildingplan fees	31,594	19,258
Call out fees	-	1,211
Cemetery fees	24,404	19,063
Clearance certificates	35,020	26,930
Commision: Policies and other	97,670	66,423
Connection fees	240,517	291,714
Number plate applications	10,357	8,204
Photocopies	3,920	4,304
Posters and banners	15,048	11,284
Property border exceedings	18,267	18,307
Re-connection fees	35,310	34,554
Rezoning applications	11,301	11,315
Telephone fees reclaimed	9,228	9,228
Tender fees	9,123	7,061
Testing of instalations - Meters	5,248	2,202
Traffic escorts	2,379	-
Valuation certificates	6,174	5,437
Other income	139,644	1,565
	804,572	**551,125**

25. Property rates

Rates received

Residential	41,320,210	34,194,501
Small holdings and farms	-	3,172,774
Less: Rebates	(27,732,110)	(23,049,626)
	13,588,100	14,317,649
Property rates - penalties imposed	141,861	3,296,798
	13,729,961	**17,614,447**

Valuations

Agricultural	3,347,506,859	3,347,506,859
Municipal	34,879,425	34,879,425
Residential	644,382,804	644,382,804
State	100,796,069	100,796,069
Exempted valuations	34,905,637	34,905,637
	4,162,470,794	**4,162,470,794**

Valuations on land and buildings are performed every four years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2009. No interem valuations were performed during the year.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies

Operating grants		
Equitable share	50,293,087	48,286,027
Expanded Public Works Programme (EPWP)	1,374,000	1,000,000
Local Government Financial Management Grant (FMG)	1,800,000	1,650,000
Subsidy: Training cost	68,028	-
Municipal System Infrastructure Grant (MSIG)	934,000	890,000
Department of Sport, Arts and Culture - Library	882,000	630,000
	55,351,115	52,456,027
Capital grants		
Cooperative Governance and Traditional Affairs - Housing	1,546,418	8,783,755
Department of Sport and Recreaction - Sport for change	1,420,572	2,006,567
Municipal Infrastructure Grant (MIG)	20,248,253	17,025,854
Intergrated National Electrification Programme (INEP)	1,000,000	-
Regional Bulk Infrastructure Grant (RBIG)	771,569	-
	24,986,812	27,816,176
	80,337,927	**80,272,203**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	30,044,840	31,986,176
Unconditional grants received	50,293,087	48,286,027
	80,337,927	**80,272,203**

Reconciliation of grants from National/Provincial Government

Operating grants		
National Government	55,351,115	52,456,027
	55,351,115	**52,456,027**

Capital grants		
National Government	20,248,253	17,025,854
Provincial Government	4,738,559	10,790,322
	24,986,812	**27,816,176**

Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Community and social services	630,000	630,000
Corporate services	34,522,797	34,520,907
Electricity	10,193,526	10,192,977
Executive and council	2,351,126	2,350,999
Housing	8,784,228	8,783,755
Sport and recreation	2,006,675	2,006,567
Water	10,193,526	10,192,977
Waste water management	11,656,049	11,594,021
	80,337,927	**80,272,203**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure grant (MIG)

Balance unspent at beginning of year	4,829,684	6,921,538
Current-year receipts	21,178,000	17,370,000
Conditions met - transferred to revenue	(20,248,254)	(17,025,854)
Unspent 2011/2012 transfer to Equitable Share	-	(2,436,000)
	5,759,430	**4,829,684**

MIG is used to construct roads and other infrastructure assets.

Municipal systems infrastructure grant (MSIG)

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	**-**

MSIG is used to build capacity in the district and local munipalities to ensure that the new development system of local government is fully implemented.

Financial management grant (FMG)

Current-year receipts	1,800,000	1,650,000
Conditions met - transferred to revenue	(1,800,000)	(1,650,000)
	-	**-**

This grant was used to promote and support reforms to financial management practicies, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementing of the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,374,000	1,000,000
Conditions met - transferred to revenue	(1,374,000)	(1,000,000)
	-	**-**

The EPWP grant is mainly used for cleaning of the municipal streets and to provide minor form of job creation in the community.

Cooperative Governance and Traditional Affairs

Current-year receipts	1,546,418	8,783,755
Conditions met - transferred to revenue	(1,546,418)	(8,783,755)
	-	**-**

The housing grant was used for the project in Lennertsville.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Department of Sports - Library

Current-year receipts	882,000	630,000
Conditions met - transferred to revenue	(882,000)	(630,000)
	-	-

The library grant is used for library activities.

Department of Sport & Recreation - Sport for change

Current-year receipts	1,420,572	2,006,567
Conditions met - transferred to revenue	(1,420,572)	(2,006,567)
	-	-

This grant is used to build and improve the communities sport facilities

Keimoes Camping and Caravan Park

Current-year receipts	500,000	-
Conditions met - transferred to revenue	(90,484)	-
	409,516	**-**

The Keimoes Camping grant was used for the development of a resort in the Municipal boundry area.

27. Fines

Traffic fines	46,321	9,153
General	77,017	70,591
Library	4,760	4,037
	128,098	**83,781**

28. Public contributions and donations

Contributions and donations received from the public	-	500

The donation was received for the annual chrismas lights function.

29. Bulk purchases

Electricity	47,223,377	37,783,955
Water	2,201,768	2,682,175
	49,425,145	**40,466,130**

30. Contracted services

Consulting services	1,027,733	1,217,864
Information technology services	3,222,003	2,131,076
Insurance	556,210	1,286,639
Refuse and sewerage removal	153,840	257,841
Security services	5,611,232	5,611,231
	10,571,018	**10,504,651**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

31. Debt impairment

Bad debts written off	3,574,397	(3,261,782)
Provision for doubtful debts: Long-term debtors	3,946	333,389
	3,578,343	**(2,928,393)**

IAS 39 states that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value. This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and the municipality therefore used the number of days that the particular consumer debtor is still expected to be outstanding based on the best information available at year-end.

32. Depreciation and amortisation

Intangible assets	24,690	22,980
Property, plant and equipment	44,111,353	72,122,337
	44,136,043	**72,145,317**

33. Employee related costs

Acting allowances	652,905	987,975
Actuarial losses: Post employment benefits	1,242,167	1,787,687
Allowance: Uniforms	137,382	1,774
Basic salaries and wages	55,204,976	46,803,548
Bonus	3,518,146	6,106,280
Contributions: Industrial Council	27,191	21,309
Current service costs: Post employment benefits	710,109	397,202
Defined contribution plans	8,171,719	5,828,203
Interest cost: Post employment benefits	1,239,595	987,743
Leave pay provision charge	1,622,976	4,042,893
Long-service awards	345,873	1,093,041
Medical aid contributions	1,126,482	915,917
Nightshift allowances	464,375	372,801
Overtime payments	6,260,682	5,821,698
Skills development levy (SDL)	724,130	592,566
Standby allowances	1,544,977	1,070,265
Telephone and cellphone allowances	148,721	54,529
Travel, motor car, accommodation, subsistence and other allowances	2,398,317	954,199
Unemployment insurance fund contributions (UIF)	558,221	486,514
Workmen compensation administration contributions (WCA)	44,341	95,584
	86,143,285	**78,421,728**

Remuneration of municipal manager

Annual Remuneration	840,000	1,128,217
Travel Allowance	360,000	90,000
Contributions to UIF, Medical and Pension Funds	(1,785)	(1,785)
Termination Benefits	-	87,400
	1,198,215	**1,303,832**

Mr. J.G. Lategan was appointed as the acting municipal manager on 1 April 2014.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

33. Employee related costs (continued)

Remuneration of chief finance officer

Annual Remuneration	652,968	440,000
Travel Allowance	180,000	15,000
Telephone allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	(1,785)	(1,041)
	849,183	**453,959**

Mr. J. Krapohl was permantly appointed as the Chief Financial Officer on 1 December 2013.

Remuneration of director: Corporate Services

Annual Remuneration	832,968	455,000
Telephone allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	(10,097)	(1,041)
Acting Allowance	-	17,631
	840,871	**471,590**

Adv. R.S. Neethling was permantly appointed as the Director: Corporate Services on 1 December 2013.

Remuneration of acting director: Technical Services

Annual Remuneration	-	333,209
Transport Allowance	-	131,134
Telephone Allowance	-	9,600
Contributions to UIF, Medical and Pension Funds	-	(1,785)
Housing Subsidy	-	7,500
Bonuses	-	28,289
Contributions to Industrial Council	-	76
Medical Aid Contributions	-	11,624
Pension Fund Contributions	-	59,978
	-	**579,625**

The position of Director: Technical and Enginering Services was vacant for the financial year.

Remuneration of director: Development and Planning

Annual Remuneration	832,968	716,628
Telephone allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	(1,785)	(1,785)
	849,183	**714,843**

Mr. J. MacKay was permantly appointed as Director: Development and Planning on 1 December 2013.

34. Finance costs

Bank	1,107	7,663
Environmental rehabilitation	848,300	597,711
Finance leases	171,105	284,153
Non-current borrowings	981,136	886,525
Trade and other payables	911,765	543,875
	2,913,413	**2,319,927**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

35. General expenses

Advertising cost	120,134	176,654
Auditors remuneration	1,965,143	3,525,468
Bank charges	515,162	455,320
Cleaning materials	69,071	78,980
Community development and training	47,693	50,382
Computer expenses	27,808	33,167
Conferences and seminars	-	1,125
Consulting and professional fees	2,938,976	5,430,646
Consumables	654,258	1,583,545
Departmental charges	2,563,373	3,653,205
Donations	46,570	61,010
Entertainment	248,919	15,854
Insurance	-	1,256,024
Land surveyor costs	286,598	-
Lease rentals on operating lease	266,753	129,059
Licence fees	6,016	-
Motor vehicle expenses	5,796,829	5,367,676
Postage and courier	82,598	311,502
Printing and stationery	293,948	430,010
Protective clothing	-	71,982
Refuse removal	159,485	223,768
Small tools and equipment	9,848	-
Subscriptions and membership fees	491,159	430,755
Telephone and fax	-	245,138
Tourism development	450	13,158
Training fees	343,438	81,179
Travel and subsistence	2,894,704	2,176,955
Valuation roll expenses	1,263,096	2,058,499
Water purification chemicals	762,251	963,448
	21,854,280	**28,824,509**

36. Grants and subsidies paid

Other subsidies		
Housing grant expenditure	156,073	171,742
Indigent support	8,025,779	8,130,740
Special Projects	1,186,690	2,283,118
Other	117,871	322,453
	9,486,413	**10,908,053**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

37. Impairment of assets

Impairments

Property, plant and equipment	-	399,455

In the valuation report done by Enviromental and Sustainability Solutions CC, it was noted that the remaining useful life of Marchand Landfill Site is zero. Therefore, in accordance with GRAP, this asset is impaired and written down to Rnil. The amount capitalised in the current year is therefore written off as an impairment.

Material impairment losses recognised or reversed

Property, plant and equipment

Impairments

Land	-	399,455

Being impairment loss in respect of the Marchand landfill.

The cost allocated to each year is converted to future value using the consumer price index (3-month average CPI) as provided by the Reserve Bank, and then impaired to present value using an appropriate discount rate (based on the rate of inflation linked RSA retail bonds. The remaining life of the landfill forms the basis for the impairment calculations.

38. Remuneration of councillors

Mayor	708,863	682,558
Speaker	571,264	550,214
Executive Committee Members	360,721	566,981
Councillors	3,319,653	2,904,223
	4,960,501	**4,703,976**

In-kind benefits

The Mayor and Speaker of the municipality serve in a fulltime capacity. Each is provided with an office at the municipal buildings.

The Mayor is provided with secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Speaker has use of Council owned laptops.

Councillor remuneration is in line with the upper limits as per the Government Gazette.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

39. Repairs and maintenance

Buildings	510,712	943,571
Computer equipment	-	6,047
Dams	-	37,389
Dumping sites	-	1,453
Electrical components	1,390,421	993,141
Furniture and office equipment	-	188,300
Sewerage	16,435	19,867
Street and storm water drainage	117,757	1,120,256
Tools and equipment	2,697	3,041
Water distribution	731,159	1,763,931
Repairs and maintenance - deductible	18,958	-
	2,788,139	**5,076,996**

40. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	-	(2,419,050)
Impairment on property, plant and equipment	-	399,455
Amortisation on intangible assets	24,690	22,980
Depreciation on property, plant and equipment	44,111,353	72,122,337
Employee costs	91,103,786	83,125,704

41. Fair value adjustments

Investment property (Fair value model)	100,000	66,000

42. Cash generated from operations

Deficit	(48,894,041)	(68,740,933)
Adjustments for:		
Depreciation and amortisation	44,136,043	72,145,317
Gain on sale of assets and liabilities	-	2,419,050
Fair value adjustments	(100,000)	(66,000)
Finance costs - Finance leases	171,105	284,153
Impairment deficit	-	399,455
Debt impairment	3,578,343	(2,928,393)
Movements in retirement benefit assets and liabilities	2,707,491	2,514,267
Movements in provisions	2,073,024	9,965,188
Changes in working capital:		
Inventories	97,652	(136,304)
Receivables from exchange transactions	95,112	(95,112)
Consumer debtors	(8,835,399)	(7,471,348)
Payables from exchange transactions	96,790,193	(6,102,477)
VAT	3,382,038	8,984,856
Unspent conditional grants and receipts	1,339,262	(5,495,206)
Consumer deposits	36,673	55,722
	96,577,496	**5,732,235**

43. Auditors' remuneration

Fees	1,965,143	3,525,468

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

44. Commitments

Authorised capital expenditure

Approved and contracted for		
• Property, plant and equipment	9,269,176	22,292,073

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	13,503,904	15,848,118

Total capital commitments		
Already contracted for but not provided for	9,269,176	22,292,073
Not yet contracted for and authorised by accounting officer	13,503,904	15,848,118
	22,773,080	**38,140,191**

Total commitments

Total commitments		
Authorised capital expenditure	22,773,080	38,140,191

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Municipal Infrastructure Grant Projects

Keimoes: Access & Collector Roads Phase 1	8,993,000	15,361,890
Lennertsville: Extention/Upgrading of External Water Supply	405,200	3,654,777
Alheit: Extention/Upgrading of External Water Supply	317,183	2,907,918
Augrabies: Upgrading of Water Network	1,328,680	6,145,326
Marchand: Extention/Upgrading of External Water Supply	3,545,815	4,043,347
Warmsand: Extention/Upgrading of External Water Supply with Distribution Network	5,654,296	6,026,934
Blaauwskop: New Access Road	2,528,906	-
	22,773,080	**38,140,192**

45. Contingencies

Party and particulars

PT Dykman & Triple D Farms, order of court against council: Development of land	-	127,364
HC Turner, CJG Turner & DJ Turner: Flood damage	664,100	664,100
JG van Niekerk & N Van Niekerk: Flood damage	250,041	250,041
Me. E Basson	52,728	-
Price Waterhouse Coopers: Services Rendered	517,058	-
	1,483,927	**1,041,505**

46. Related parties

Relationships

Accounting Officer	No related parties transactions noted except for remuneration as disclosed in note 33
Joint venture of key management	No related parties transactions noted.
Associate of close family member of key management	No related parties transactions noted.
Post employment benefit plan for employees of a related party of a close family member of key management	No related parties transactions noted.

Key management information

Class	Description	Number
Section 57 Managers	Refer to note 33	5
Mayor	Refer to note 38	1
Councillors	Refer to note 38	15
Municipal Managers	Refer to note 33	1

47. Accounting Officer's emoluments

Executive

2015

	Emoluments	Other benefits*	Total
Mr. J.G. Lategan (Acting)	852,969	360,000	1,212,969

2014

	Emoluments	Other benefits*	Total
Mr. J.G. Lategan (Acting)	210,000	90,000	300,000
Mr. A. Vosloo	1,005,617	-	1,005,617
	1,215,617	**90,000**	**1,305,617**

* Other benefits comprise travel allowance and medical benefits

48. Prior period errors

Account for Interest received

Rectify and account for the interest received on the MIG Project Account (ABSA Acc nr: 911 727 190 3):

Dr:	Accumulated surplus	76,224
Cr:	Interest received	(76,224)

Prior Period 2

Correction of the Debt impairment calculations of Consumer debtors

Dr:	Consumer debtors	8,551,683
Cr:	Debt impairment	(35,513,975)

The correction of the error(s) results in adjustments as follows:

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

48. Prior period errors (continued)

Statement of financial position		
Consumer debtors	-	8,551,683
Accumulated suplus	-	76,224

Statement of Financial Performance		
Interest received	-	(76,224)
Debt impairment	-	(8,551,683)

49. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Performance		
Service charges - sale of electricity	-	(3,531,593)
Bulk purchases	-	(121,612)
General expenses - Departmental charges	-	3,653,205

50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management plans are developed and monitored to ensure councils the policies and systems are reviewed regulary to reflect changes in the municipalities operations.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	3,351,319	4,587,792	450,384	-
Trade and other payables	105,887,446	-	-	-
Finance leases	894,127	439,051	-	-

At 30 June 2014	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	1,585,490	5,764,724	638,921	-
Trade and other payables	34,010,874	-	-	-
Finance leases	1,089,110	1,333,179	-	-

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

50. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents, trade receivables and other financial assets.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

51. Events after the reporting date

The municipality is unaware of any events after the reporting date which required disclosure and or adjusting events.

52. Unauthorised expenditure

Opening balance	157,797,581	99,491,898
Additions during the year	(50,891,451)	58,305,683
Less: Amounts condoned	(150,567,906)	-
Closing balance	**(43,661,776)**	**157,797,581**

53. Fruitless and wasteful expenditure

Opening balance	805,074	261,199
Additions during the year	1,276,598	543,875
Less: Amounts condoned	(805,074)	-
	1,276,598	**805,074**

54. Irregular expenditure

Opening balance	27,865,603	16,681,735
Add: Irregular Expenditure - current year	4,515,681	11,183,868
Less: Amounts condoned	(24,937,001)	-
Closing balance	**7,444,283**	**27,865,603**

Analysis of expenditure awaiting condonation per age classification

Not submitting the minimum quotations for acquiring goods and services	-	1,759,930
Competitive bidding process not followed	3,839,822	9,423,938
	3,839,822	**11,183,868**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

55. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municiaplity is very reliant on grants from Treasury. Funding will be received from National Treasury as long as the municipality submit their reports on time. The collection of outstanding consumer debtor accounts are also a priority for the next twelve months.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2015	2014
Current year subscription / fee	535,720	481,743
Amount paid - current year	(535,720)	(481,743)
	-	**-**

Material losses

	2015	2014
Distribution losses - Water	728,260	930,456
Distribution losses - Electricity	2,622,191	8,851,266
	3,350,451	**9,781,722**

Electricity losses for the current year amounted to 17% of total electricity purchased. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network, account for 10%. Non-technical losses, being theft, faults, billing errors account for 7%. The Municipality will work towards improving control over non-technical losses. A register of distribution losses is available at the municipal offices.

Audit fees

	2015	2014
Current year subscription / fee	1,480,901	2,783,763
Amount paid - current year	-	(2,783,763)
	1,480,901	**-**

PAYE and UIF

	2015	2014
Current year subscription / fee	9,529,137	7,379,643
Amount paid - current year	-	(7,379,643)
	9,529,137	**-**

Value Added Tax (VAT)

	2015	2014
VAT receivable	2,296,895	5,678,933

All VAT returns have been submitted by the due date throughout the year.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2015	2014

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. J.J.J. Olyn	695	-	695
Cllr. D.W. Fienies	377	1,831	2,208
Cllr. E. Mompe	811	5,735	6,546
Cllr. W.N. Afrikaner	-	6,976	6,976
	1,883	**14,542**	**16,425**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. J.J.J. Olyn	775	2,331	3,106
Cllr. D.W. Fienies	195	462	657
	970	**2,793**	**3,763**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Cllr. D.W. Fienies	1,587	120
Cllr. E. Mompe	5,337	120
Cllr. W.N. Afrikaner	6,976	120
	13,900	**360**

30 June 2014	Highest outstanding amount	Aging (in days)
Cllr. J.J.J. Olyn	3,106	240
Cllr. D.W. Fienies	657	210
	3,763	**450**

57. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the unaudited annual financial statements.

Deviations made for the year are as follows:

Number	Date	Vendor	Amount	Reasons for the Deviation from the Supply Chain Management Regulations
2015/001	28/07/2014	W FORTUIN T/A MORNING GLORY SECURITY	282,720	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/002	28/08/2014	W FORTUIN T/A MORNING GLORY SECURITY	282,720	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/003	16/09/2015	W FORTUIN T/A MORNING GLORY SECURITY	424,080	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/004	10/10/2014	KALAHARI STRETCH TENTS	8,320	ONLY ONE QUOTE WAS SOURCED DUE TO LACK OF ENOUGH TIME TOO SOURCE MORE QUOTATIONS.
2015/005	16/10/2015	W FORTUIN T/A MORNING GLORY SECURITY	424,080	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/006	13/11/2014	W VAN EEDEN	2,500	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures 2.Obtaining a purchase order
2015/007	16/11/2015	W FORTUIN T/A MORNING GLORY SECURITY	410,400	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/008	16/12/2015	W FORTUIN T/A MORNING GLORY SECURITY	424,080	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/009	16/01/2015	W FORTUIN T/A MORNING GLORY SECURITY	424,800	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/010	16/02/2015	W FORTUIN T/A MORNING GLORY SECURITY	383,040	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/011	16/03/2015	W FORTUIN T/A MORNING GLORY SECURITY	424,080	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/012	16/04/2015	W FORTUIN T/A MORNING GLORY SECURITY	424,080	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures
2015/013	16/05/2015	W FORTUIN T/A MORNING GLORY SECURITY	600,781	Service has been provided prior to: 1.Obtaining a written approval to deviate from the required SCM procedures

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Interest during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
6100 0080	1004 98/1	30/06/2023	1,533,469	272,621	-	1,806,090	-	-
6100 1016	1037 23/2	28/02/2019	5,607,811	512,461	-	6,120,272	-	-
6100 1017	1037 23/3	31/08/2015	523,408	47,776	-	571,184	-	-
6100 3127	1331 5/202	31/03/2019	334,349	55,178	-	389,527	-	-
6100 3256	1370 2/101	30/06/2021	616,823	89,406	-	706,229	-	-
			8,615,860	**977,442**	**-**	**9,593,302**	**-**	**-**
Lease liability								
Nashua			2,020,607	-	757,316	1,263,291	-	-
Vodacom			117,849	-	70,705	47,144	-	-
MTN			51,010	-	28,266	22,744	-	-
			2,189,466	**-**	**856,287**	**1,333,179**	**-**	**-**
Total external loans								
Development Bank of South Africa			8,615,860	977,442	-	9,593,302	-	-
Lease liability			2,189,466	-	856,287	1,333,179	-	-
			10,805,326	**977,442**	**856,287**	**10,926,481**	**-**	**-**

Kai !Garib Local Municipality
Appendix D
June 2015

Segmental Statement of Financial Performance for the year ended

Prior Year: Actual Income Rand	Prior Year: Actual Expenditure Rand	Prior Year: Surplus /(Deficit) Rand		Current Year: Actual Income Rand	Current Year: Actual Expenditure Rand	Current Year: Surplus /(Deficit) Rand
			Municipality			
2,351,499	15,369,048	(13,017,549)	Executive & Council/Mayor and Council	1,784	13,742,699	(13,740,915)
58,121,436	127,508,581	(69,387,145)	Finance & Admin/Finance	78,119,027	96,967,110	(18,848,083)
9,579,552	6,094,015	3,485,537	Planning and Development/Economic Development/Plan	22,916,329	9,141,088	13,775,241
-	1,001,056	(1,001,056)	Health/Clinics	-	712,153	(712,153)
821,427	8,590,536	(7,769,109)	Comm. & Social/Libraries and archives	1,205,438	9,557,551	(8,352,113)
-	107,267	(107,267)	Housing	-	346,293	(346,293)
147	-	147	Public Safety/Police	2,783	-	2,783
2,013,215	3,464,169	(1,450,954)	Sport and Recreation	1,442,725	2,064,225	(621,500)
23,246,505	17,082,340	6,164,165	Waste Water Management/Sewerage	12,831,433	15,970,825	(3,139,392)
-	10,023,267	(10,023,267)	Road Transport/Roads	-	8,329,937	(8,329,937)
22,125,432	18,072,623	4,052,809	Water/Water Distribution	12,647,987	18,319,912	(5,671,925)
63,842,202	43,529,446	20,312,756	Electricity /Electricity Distribution	57,023,466	60,666,191	(3,642,725)
-	-	-	Other/Air Transport	-	38,588	(38,588)
182,101,415	**250,842,348**	**(68,740,933)**		**186,190,972**	**235,856,572**	**(49,665,600)**
			Municipal Owned Entities			
			Other charges			
182,101,415	250,842,348	(68,740,933)	Municipality	186,190,972	235,856,572	(49,665,600)
182,101,415	**250,842,348**	**(68,740,933)**	**Total**	**186,190,972**	**235,856,572**	**(49,665,600)**

Kai !Garib Local Municipality
Appendix E(1)
June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	81,130,237	74,427,000	6,703,237	9.0	
Rental of facilities and equipment	204,077	185,335	18,742	10.1	
Agency services	952,849	8,083,140	(7,130,291)	(88.2)	
Other income - (rollup)	804,575	753,535	51,040	6.8	
Interest received - investment	9,574,817	8,670,000	904,817	10.4	
	92,666,555	92,119,010	547,545	0.6	
Expenses					
Personnel	(86,143,284)	(74,450,450)	(11,692,834)	15.7	
Remuneration of councillors	(4,960,501)	(6,087,000)	1,126,499	(18.5)	
Depreciation	(44,111,353)	(4,071,360)	(40,039,993)	983.5	
Amortisation	(24,690)	-	(24,690)	-	
Impairments	-	-	-	-	
Finance costs	(2,913,412)	(1,820,000)	(1,093,412)	60.1	
Bad debts written off	(3,578,342)	(20,580,000)	17,001,658	(82.6)	
Repairs and maintenance - General	(2,788,139)	(2,936,817)	148,678	(5.1)	
Bulk purchases	(49,425,145)	(44,000,000)	(5,425,145)	12.3	
Contracted Services	(10,571,017)	(8,848,000)	(1,723,017)	19.5	
Transfers and Subsidies	(9,486,412)	(13,092,200)	3,605,788	(27.5)	
General Expenses	(21,854,277)	(19,933,280)	(1,920,997)	9.6	
	(235,856,572)	(195,819,107)	(40,037,465)	20.4	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	-	-	-	
Fair value adjustments	100,000	-	100,000	-	
	100,000	-	100,000	-	
Net surplus/ (deficit) for the year	(143,090,017)	(103,700,097)	(39,389,920)	38.0	

Kai !Garib Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

	2015/2014														2014/2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**89,799,625**	**90,290,300**	**180,089,925**	**-**		**180,089,925**	**78,120,811**		**(101,969,114)**	**43 %**	**87 %**				**62,891,985**
Executive and council	2,960,630	2,960,000	5,920,630	-		5,920,630	1,784		(5,918,846)	- %	- %				2,351,499
Budget and treasury office	86,078,705	87,318,300	173,397,005	-		173,397,005	78,041,771		(95,355,234)	45 %	91 %				60,531,258
Corporate services	760,290	12,000	772,290	-		772,290	77,256		(695,034)	10 %	10 %				9,228
Community and public safety	**270,088**	**256,785**	**526,873**	**-**		**526,873**	**2,650,946**		**2,124,073**	**503 %**	**982 %**				**2,834,789**
Community and social services	260,533	256,585	517,118	-		517,118	1,205,438		688,320	233 %	463 %				821,427
Sport and recreation	9,555	-	9,555	-		9,555	1,442,725		1,433,170	15,099 %	15,099 %				2,013,215
Public safety	-	200	200	-		200	2,783		2,583	1,392 %	DIV/0 %				147
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	**28,167,583**	**29,428,690**	**57,596,273**	**-**		**57,596,273**	**22,916,329**		**(34,679,944)**	**40 %**	**81 %**				**9,579,552**
Planning and development	28,167,583	29,428,690	57,596,273	-		57,596,273	22,916,329		(34,679,944)	40 %	81 %				9,579,552
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	**26,729,610**	**23,547,330**	**50,276,940**	**-**		**50,276,940**	**25,479,420**		**(24,797,520)**	**51 %**	**95 %**				**45,371,937**
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	13,865,730	11,053,130	24,918,860	-		24,918,860	12,647,987		(12,270,873)	51 %	91 %				22,125,432
Waste water management	7,517,575	7,600,000	15,117,575	-		15,117,575	7,543,581		(7,573,994)	50 %	100 %				13,623,827
Waste management	5,346,305	4,894,200	10,240,505	-		10,240,505	5,287,852		(4,952,653)	52 %	99 %				9,622,678
Other	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	**144,966,906**	**143,523,105**	**288,490,011**	**-**		**288,490,011**	**129,167,506**		**(159,322,505)**	**45 %**	**89 %**				**120,678,263**

Kai !Garib Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

	2015/2014											2014/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**58,816,628**	**69,311,411**	**128,128,039**	**-**	**-**	**128,128,039**	**110,709,809**	**-**	**(17,418,230)**	**86 %**	**188 %**	**-**	**-**	**-**	**140,458,579**
Executive and council	13,200,298	16,339,793	29,540,091	-	-	29,540,091	13,742,699	-	(15,797,392)	47 %	104 %	-	-	-	15,369,048
Budget and treasury office	34,921,636	40,203,518	75,125,154	-	-	75,125,154	80,158,505	-	5,033,351	107 %	230 %	-	-	-	111,666,439
Corporate services	10,694,694	12,768,100	23,462,794	-	-	23,462,794	16,808,605	-	(6,654,189)	72 %	157 %	-	-	-	13,423,092
Community and public safety	**10,103,505**	**10,490,096**	**20,593,601**	**-**	**-**	**20,593,601**	**12,680,222**	**-**	**(7,913,379)**	**62 %**	**126 %**	**-**	**-**	**-**	**13,163,028**
Community and social services	7,119,610	7,650,867	14,770,477	-	-	14,770,477	9,557,551	-	(5,212,926)	65 %	134 %	-	-	-	8,590,536
Sport and recreation	1,865,079	1,117,743	2,982,822	-	-	2,982,822	2,064,225	-	(918,597)	69 %	111 %	-	-	-	3,464,169
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	1,524	456,300	457,824	-	-	457,824	346,293	-	(111,531)	76 %	22,723 %	-	-	-	107,267
Health	1,117,292	1,265,186	2,382,478	-	-	2,382,478	712,153	-	(1,670,325)	30 %	64 %	-	-	-	1,001,056
Economic and environmental services	**23,803,619**	**18,241,261**	**42,044,880**	**-**	**-**	**42,044,880**	**17,471,025**	**-**	**(24,573,855)**	**42 %**	**73 %**	**-**	**-**	**-**	**16,117,282**
Planning and development	12,648,762	7,581,429	20,230,191	-	-	20,230,191	9,141,088	-	(11,089,103)	45 %	72 %	-	-	-	6,094,015
Road transport	11,154,857	10,659,832	21,814,689	-	-	21,814,689	8,329,937	-	(13,484,752)	38 %	75 %	-	-	-	10,023,267
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**36,473,482**	**38,561,461**	**75,034,943**	**-**	**-**	**75,034,943**	**34,290,737**	**-**	**(40,744,206)**	**46 %**	**94 %**	**-**	**-**	**-**	**35,154,964**
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	17,116,838	18,446,529	35,563,367	-	-	35,563,367	18,319,912	-	(17,243,455)	52 %	107 %	-	-	-	18,072,623
Waste water management	10,717,753	10,737,504	21,455,257	-	-	21,455,257	5,609,800	-	(15,845,457)	26 %	52 %	-	-	-	7,484,951
Waste management	8,638,891	9,377,428	18,016,319	-	-	18,016,319	10,361,025	-	(7,655,294)	58 %	120 %	-	-	-	9,597,390
Other	**-**	**-**	**-**	**-**	**-**	**-**	**38,588**	**-**	**38,588**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	38,588	-	38,588	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	**129,197,234**	**136,604,229**	**265,801,463**	**-**	**-**	**265,801,463**	**175,190,381**	**-**	**(90,611,082)**	**66 %**	**136 %**	**-**	**-**	**-**	**204,893,853**
Surplus/(Deficit) for the year	**15,769,672**	**6,918,876**	**22,688,548**	**-**		**22,688,548**	**(46,022,875)**		**(68,711,423)**	**(203)%**	**(292)%**				**(84,215,590)**

Kai !Garib Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014											2014/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	24,018,845	24,018,845	48,037,690	-		48,037,690	13,588,100		(34,449,590)	28 %	57 %				14,317,649
Property rates - penalties & collection charges	2,000,000	3,000,000	5,000,000	-		5,000,000	141,861		(4,858,139)	3 %	7 %				3,296,798
Service charges - electricity revenue	61,972,990	50,970,000	112,942,990	-		112,942,990	55,750,395		(57,192,595)	49 %	90 %				53,325,420
Service charges - water revenue	13,821,000	11,007,000	24,828,000	-		24,828,000	12,606,696		(12,221,304)	51 %	91 %				11,897,839
Service charges - sanitation revenue	7,516,000	7,600,000	15,116,000	-		15,116,000	7,543,581		(7,572,419)	50 %	100 %				6,906,919
Service charges - refuse revenue	5,300,000	4,850,000	10,150,000	-		10,150,000	5,229,565		(4,920,435)	52 %	99 %				4,702,348
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	956,143	185,335	1,141,478	-		1,141,478	204,077		(937,401)	18 %	21 %				156,569
Interest earned - external investments	15,750	120,000	135,750	-		135,750	130,290		(5,460)	96 %	827 %				262,150
Interest earned - outstanding debtors	8,500,000	8,550,000	17,050,000	-		17,050,000	9,444,527		(7,605,473)	55 %	111 %				7,907,071
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	53,550	102,250	155,800	-		155,800	128,098		(27,702)	82 %	239 %				83,782
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Agency services	6,986,320	8,083,140	15,069,460	-		15,069,460	952,849		(14,116,611)	6 %	14 %				774,095
Transfers recognised - operational	53,467,000	53,467,000	106,934,000	-		106,934,000	53,467,087		(53,466,913)	50 %	100 %				50,936,027
Other revenue	530,048	753,535	1,283,583	-		1,283,583	904,575		(379,008)	70 %	171 %				617,121
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				(2,419,050)
Total Revenue (excluding capital transfers and contributions)	**185,137,646**	**172,707,105**	**357,844,751**	**-**		**357,844,751**	**160,091,701**		**(197,753,050)**	**45 %**	**86 %**				**152,764,738**

Kai !Garib Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014														2014/2013
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Expenditure By Type															
Employee related costs	74,030,135	74,450,450	148,480,585	-	-	148,480,585	86,143,284	-	(62,337,301)	58 %	116 %	-	-	-	78,421,723
Remuneration of councillors	3,735,000	6,087,000	9,822,000	-	-	9,822,000	4,960,501	-	(4,861,499)	51 %	133 %	-	-	-	4,703,975
Debt impairment	20,580,000	20,580,000	41,160,000		-	41,160,000	3,578,342	-	(37,581,658)	9 %	17 %	-	-	-	(2,928,393)
Depreciation & asset impairment	7,255,107	4,071,360	11,326,467		-	11,326,467	44,136,043	-	32,809,576	390 %	608 %	-	-	-	72,544,772
Finance charges	1,011,000	1,820,000	2,831,000	-	-	2,831,000	2,913,412	-	82,412	103 %	288 %	-	-	-	2,319,927
Bulk purchases	44,300,000	44,000,000	88,300,000	-	-	88,300,000	49,425,145	-	(38,874,855)	56 %	112 %	-	-	-	40,466,129
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	5,436,200	8,848,000	14,284,200	-	-	14,284,200	10,571,017	-	(3,713,183)	74 %	194 %	-	-	-	10,504,653
Transfers and grants	5,239,747	13,092,200	18,331,947	-	-	18,331,947	9,486,412	-	(8,845,535)	52 %	181 %	-	-	-	10,908,053
Other expenditure	26,445,201	22,870,098	49,315,299	-	-	49,315,299	24,642,416	-	(24,672,883)	50 %	93 %	-	-	-	33,901,510
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**188,032,390**	**195,819,108**	**383,851,498**	**-**	**-**	**383,851,498**	**235,856,572**	**-**	**(147,994,926)**	**61 %**	**125 %**	**-**	**-**	**-**	**250,842,349**
Surplus/(Deficit)	**(2,894,744)**	**(23,112,003)**	**(26,006,747)**	**-**		**(26,006,747)**	**(75,764,871)**		**(49,758,124)**	**291 %**	**2,617 %**				**(98,077,611)**
Transfers recognised - capital	22,112,000	23,112,000	45,224,000	-		45,224,000	26,099,271		(19,124,729)	58 %	118 %				29,336,175
Contributions recognised - capital	525	-	525	-		525	-		(525)	- %	- %				500
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**19,217,781**	**(3)**	**19,217,778**	**-**		**19,217,778**	**(49,665,600)**		**(68,883,378)**	**(258)%**	**(258)%**				**(68,740,936)**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**19,217,781**	**(3)**	**19,217,778**	**-**		**19,217,778**	**(49,665,600)**		**(68,883,378)**	**(258)%**	**(258)%**				**(68,740,936)**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**19,217,781**	**(3)**	**19,217,778**	**-**		**19,217,778**	**(49,665,600)**		**(68,883,378)**	**(258)%**	**(258)%**				**(68,740,936)**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**19,217,781**	**(3)**	**19,217,778**	**-**		**19,217,778**	**(49,665,600)**		**(68,883,378)**	**(258)%**	**(258)%**				**(68,740,936)**

Kai !Garib Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2015

	2015/2014								2014
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	225,458,946	299,277,405	524,736,351	524,736,351	280,571,128	(244,165,223)	53 %	124 %	276,572,003
Government - operating	-	53,467,000	53,467,000	53,467,000	53,467,087	87	100 %	DIV/0 %	50,936,027
Government - capital	-	23,112,000	23,112,000	23,112,000	26,099,271	2,987,271	113 %	DIV/0 %	29,336,175
Interest	-	8,670,000	8,670,000	8,670,000	9,574,817	904,817	110 %	DIV/0 %	8,169,221
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	286,806,869	306,571,515	593,378,384	593,378,384	375,656,066	(217,722,318)	63 %	131 %	333,562,100
Finance charges	-	1,820,000	1,820,000	1,820,000	2,913,412	1,093,412	160 %	DIV/0 %	2,319,927
Transfers and Grants	-	13,092,200	13,092,200	13,092,200	9,486,412	(3,605,788)	72 %	DIV/0 %	10,908,053
Net cash flow from/used operating activities	**512,265,815**	**706,010,120**	**1,218,275,935**	**1,218,275,935**	**757,768,193**	**(460,507,742)**	**62 %**	**148 %**	**711,803,506**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(2,419,050)
Decrease (Increase) in non-current debtors	5,421,000	5,421,000	10,842,000	10,842,000	6,506,509	(4,335,491)	60 %	120 %	(423,577)
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	771,297	771,297	1,542,594	1,542,594	484,380	(1,058,214)	31 %	63 %	658,365
Payments									
Capital assets	78,221,491	78,221,491	156,442,982	156,442,982	13,204,259	(143,238,723)	8 %	17 %	50,041,295
Net cash flow from/used investing activities	**84,413,788**	**84,413,788**	**168,827,576**	**168,827,576**	**20,195,148**	**(148,632,428)**	**12 %**	**24 %**	**47,857,033**
Cash flow from financing activities									
Receipts									
Short term loans	1,010,000	1,010,000	2,020,000	2,020,000	217,783	(1,802,217)	11 %	22 %	(10,057)
Borrowing long term/refinancing	9,585,920	9,585,920	19,171,840	19,171,840	515,058	(18,656,782)	3 %	5 %	(2,815,414)
Increase (decrease) in consumer deposits	1,600,000	1,600,000	3,200,000	3,200,000	36,673	(3,163,327)	1 %	2 %	55,722
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	**12,195,920**	**12,195,920**	**24,391,840**	**24,391,840**	**769,514**	**(23,622,326)**	**3 %**	**6 %**	**(2,769,749)**
Net increase/(decrease) in cash held	**608,875,523**	**802,619,828**	**1,411,495,351**	**1,411,495,351**	**778,732,855**	**(632,762,496)**	**55 %**	**128 %**	**756,890,790**
Cash/cash equivalents at the year begin:					42,551,790				15,154,666
Cash/cash equivalents at the year end:	**608,875,523**	**802,619,828**	**1,411,495,351**	**1,411,495,351**	**821,284,645**	**(632,762,496)**	**58 %**	**135 %**	